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RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
RUEHLMC/MILLENNIUM CHALLENGE CORP MCC

UNCLAS SECTION 01 OF 02 DAR ES SALAAM 000305

SIPDIS

SIPDIS SENSITIVE

DEPT AF/RSA FOR DEPSTEIN, AF/E FOR BYODER  
ALSO AF/EPS FOR THASTINGS  
MCC FOR GBREVN OV  
PASS TO USTR FOR WJACKSON  
PASS ALSO TO USAID R/EA FOR KDES GRANGES

1E. O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EAID](#) [PREL](#) [PGOV](#) [CH](#) [TZ](#)

SUBJECT: TANZANIA: UPDATE ON TRADE AND COOPERATION WITH CHINA

REF: A) STATE 024937

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11. (U) Tanzania has maintained diplomatic ties with the People's Republic of China (PRC) since 1964. The Government of Tanzania's (GOT) relationship with the PRC has been historically strong, with frequent high-level exchanges and ongoing bilateral cooperation in development assistance, trade and international affairs.

#### New Agreements

12. (U) On June 23, 2006, the PRC's Prime Minister Wen Jiabao and President Jakaya Kikwete signed five agreements in Dar es Salaam for economic and technical assistance. The Chinese government agreed to:

- provide Tanzania with anti-malaria drugs and construct a malaria prevention and treatment center;
- explore the possibility of a joint venture to manufacture anti-malarial drugs in Tanzania;
- provide a loan to the Tanzania-Zambia Railway Authority (TAZARA)-the railway China helped construct 30 years ago--to rehabilitate the passenger cars.

13. (U) The PRC is also assisting Tanzania with the renovation of a sports stadium in Zanzibar, renovation of Radio Tanzania broadcasting stations both on the Mainland and in Zanzibar, and is cooperating with the GOT in the transportation and communications sectors. On July 26, 2006, the Chinese government donated USD 500,000 to the Government of Tanzania to train nurses and midwives in order to reduce newborn and maternal deaths.

#### Chinese Businesses and Contractors

14. (U) The PRC government continues to provide incentives to Chinese enterprises to invest in Tanzania. Chinese companies are competitive bidders for GOT contracts to develop water, road, and bridge construction projects. Chinese companies are also invested in resource exploration and exploitation, including the timber and minerals sectors, as well as in agriculture and telecommunications. In mid-2006, PRC President Hu Jintao and Premier Jiabao promised to provide Tanzania with coal-fired generators to increase the production of electricity. The Chinese are also ready to assist with equipment and management personnel to extract coal from the mines at Kiwira in the Mbeya Region in southwestern Tanzania.

¶5. (U) The PRC-sponsored Chalinze water project began in 2005 and is due to be completed in 2007. The project will total USD 11.73 million and provide 7,200 metric tons of water daily to the residents of the Sangasanga and Ngerengere areas of the Coastal region.

#### World Class Sports Stadium

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¶6. (U) The PRC and the GOT are jointly constructing a new 60,000-seat sports stadium in Dar es Salaam that meets Federation of International Football Association (FIFA) and Olympic standards. The Beijing Construction Engineering Company Limited is building the stadium at the total cost of USD 45.2 million; China is contributing USD 25.2 million and Tanzania, the remaining USD 20 million. The stadium is on schedule to be completed in mid-2007.

#### Military Assistance

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¶7. (SBU) Each year the Tanzania Peoples Defense Forces' (TPDF) officers and non-commissioned officers attend training courses in China at various military training centers. Between January and April 2006, TPDF sent approximately 35 officers to China for training. The TPDF also hosts about 12 Chinese instructors that teach at the junior staff college in Dar es Salaam. Mechanics and technicians tasked with maintaining the TPDF's Chinese-manufactured planes, trucks and other military equipment, rotate into Tanzania on a regular basis. China also supplies spare parts for the above equipment. On March 5, 2007, the Chinese military donated 33 new compact SUV vehicles to the TPDF for use by senior officers.

#### Trade Opportunities

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¶8. (U) In 2005, the two-way trade between China and Tanzania totaled USD 474.6 million with the PRC exporting nearly twice as many goods and services than Tanzania sold to China. Primarily raw

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materials--wood, sisal, minerals and gemstones--are heading to Asia, while China floods East African markets with inexpensive, light manufactured goods. The 2006 Tanzania-China trade statistics should be available in late March 2007. China is the third largest investor in Tanzania after the United Kingdom (UK) and India. Between 2002 and 2005, PRC investments totaled USD 560.34 million.

#### 2005 Tanzania-China trade statistics:

Tanzania imported from China:	USD 303.8 million
Tanzania exported to China:	USD 170.8 million
TOTAL	USD 474.6 million

¶9. (U) In December 2006 the China Investment Center (CIC) of Tanzania organized its first "China Brand Commodities Show 2006" in Dar es Salaam. The exhibition ran from December 12, 2006 through the last week of January 2007 and featured Chinese-made items including mini-buses, motorcycles, bicycles and spare parts, generators, televisions, DVD players and solar energy equipment. The PRC also has a large exhibition each year at the Dar es Salaam International Trade Fair organized by the GOT Ministry of Trade in late June-early July.

#### US-Chinese-Tanzanian Business Cooperation

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¶10. (SBU) A U.S. company operating in Tanzania has formed a unique synergy with Tanzanian firms following the completion of Chinese funded-projects that is boosting sustainable economic development. The U.S.-owned Manchester Trade Ltd. specializes in project management consultancy. Following the completion of roads, bridges, and hospitals, the Chinese model is to handoff the completed project to be managed by a Tanzanian company or parastatal. However the Chinese do not focus on capacity building or preparing the company to manage. Manchester Trade has been working for the past five years with several companies offering advice on finances, loan repayment, maintenance scheduling, etc. The result to date is a "win-win" model: the Chinese are pleased that project follow-up is thorough, the Tanzanians are mastering management skills, and the

U.S company is succeeding in its business.

#### IPR Issues

¶11. (SBU) Counterfeit products from China occasionally find their way into the Tanzanian economy. In late 2006, a distributor for the U.S. firm William Wrigley Jr. and Co. discovered that two containers of counterfeited "Big G" bubble gum had entered Tanzania directly from Shanghai, China. While the outside wrapping and trademark were an exact copy of the Wrigley product, the wrappers included a Shanghai PO Box address. The quality of the bubble gum was distinctly inferior, raising both food safety issues and concerns about the loss of customers. Wrigley Company worked closely with the Embassy Econ/Commercial section to quickly bring their concerns to the attention of the GOT. The Tanzania Fair Competition Commission is currently investigating the issue.

#### Comment

¶12. (U) Tanzania and the PRC are long-time partners, comfortable with the other's way of doing business. Tanzanian consumers are generally aware that many Chinese products are of inferior quality compared to European, U.S. or South African brands. However, the "price is right" for lower income families, especially clothing, shoes, and basic household products.

¶13. (SBU) The Chinese have contributed doctors and nurses to Tanzania's health care system for several decades, particularly in Zanzibar. The additional funding from the June 2006 agreements for anti-malaria efforts and maternal and child health seem to coincide with our own work in Tanzania in the Presidential Malaria Initiative (PMI) and USAID health projects. Another area of future cooperation between the U.S. and China might be on larger infrastructure projects in the road and water sectors, particularly as the Millennium Challenge Corporation Compact with Tanzania moves closer to being finalized.

RETZER